



**Fourth Meeting  
March 15, 2011  
Minutes**

**Koury Auditorium, McColl Building  
University of North Carolina at Chapel Hill  
Chapel Hill, NC 27599**

**Members Present:** Steve Case, Revolution (Co-Chair), Mary Sue Coleman, University of Michigan (Co-Chair), Desh Deshpande, Sparta Group, A123 Systems, Sycamore Networks (Co-Chair), Tom Alberg, Madrona Venture Group, James Andrew, Boston Consulting Group, Tom Baruch, CMEA Capital, Claude Canizares, Massachusetts Institute of Technology, Ping Fu, Geomagic, Christina Gabriel, Carnegie Mellon University, Barron Harvey, Howard University, Krisztina Holly, University of Southern California, Ray Leach, JumpStart, Ken Morse, ESADE Business School, Michael Roberts, The Roberts Companies, RoseAnn Rosenthal, Ben Franklin Technology Partners SEPA (by phone), Carl Schramm, Kauffman Foundation, Holden Thorp, University of North Carolina at Chapel Hill, Charles Vest, National Academy of Engineering, Jeffrey Wadsworth, Batelle

**Members Absent:** Curtis Carlson, SRI International, Robin Chase, Meadow Networks, Marcelo Claure, Brightstar, Michael Crow, Arizona State University, G.P. "Bud" Peterson, Georgia Institute of Technology,

**Department of Commerce Officials:**

Gary Locke, Secretary of Commerce

David Kappos, Under Secretary of Commerce for Intellectual Property

John Fernandez, Asst. Secretary of Commerce for Economic Development

Philip Singerman, Associate Director of the National Institute of Standards and Technology

**Other U.S. Government Officials:**

Don Graves, Deputy Assistant Secretary of Treasury

Dedric Carter, Senior Advisor for Strategic Initiatives at the National Science Foundation

Ellen Kim, Senior Policy Advisor at the Small Business Administration

Ginger Lew, Senior Advisor to the White House National Economic Council

**Other Participants:**

Bev Perdue, Governor of North Carolina

Ted Zoller, Director of the Center for Entrepreneurial Studies at UNC Chapel Hill

**Staff:** Paul J. Corson, Esther Lee, M. Bilal Mahmood, Alexander Nicholas, G. Nagesh Rao

**Public Attendance:**

The National Advisory Council on Innovation and Entrepreneurship (NACIE) convened in open session via an in-person meeting at 9:10AM, with Steve Case, Mary Sue Coleman, and Desh Deshpande presiding. Secretary Locke joined to preside over the sub-committee read-outs at 10:00AM. Public attendance included a wide range of stakeholders from across the Research Triangle region, as well as participants via open teleconference.

**Welcome and Opening Remarks:**

Holden Thorp welcomed the NACIE members and mentioned UNC's role in shaping best practices for university commercialization and collaboration with private industry in the North Carolina Research Triangle.

Paul J. Corson officially called the meeting to order, reviewed the meeting agenda, and then introduced the first external briefer.

**External Briefings:***Don Graves (Department of Treasury)*

Mr. Graves spoke to the Council on the importance of small-businesses to the U.S. economic recovery. Graves noted that the private sector had created (private sector employment had grown by) 1.5 million new jobs in 2010, while sustaining 6 straight quarters of economic growth—the strongest figure since 2005. He emphasized that the President's focus on jobs was central to his economic agenda, and then highlighted several new initiatives, including the Council on Economic Jobs and Competitiveness led by GE CEO Jeff Immelt (and on which NACIE member Steve Case serves). Graves also noted the 2010 Small Business Jobs Act, which instituted a series of credit and lending-based services through the Dept of Treasury. The Act created a \$1.6B State-based small business credit program to assist with collateral access, and a \$30B Small Business Lending Fund (SBLF) to support Tier 1 capital for community banks.

During Q&A, Ken Morse expressed support for the programs, but raised concern that such government-based lending services have slow pay-back times. In acknowledging the point, Graves said the National Economic Council and Small Business Administration were assessing quicker payment programs. Michael Roberts remarked on the need for Treasury to address the issue of cash-flows in addition to asset-based services.

*Dedric Carter (National Science Foundation)*

Mr. Carter highlighted the importance of fundamental science to the entrepreneurial process. Carter summarized NSF's innovation-related priorities as building up its deal flow and project base, supporting the development of innovation ecosystems, and expanding mentorship programs. Carter noted that NSF's focus on innovation was not on creating new structures or programs, but on streamlining existing ones. Such initiatives could involve reviewing past NSF funding programs such as SBIR. Stressing NSF's role in driving innovation, Carter noted that that many NACIE members had themselves engaged with NSF or received funding from NSF in the past.

*Ted Zoller (University of North Carolina at Chapel Hill)*

Mr. Zoller discussed his research on innovation ecosystems through the lens of relationship hubs and spokes. He suggested NACIE members consider innovation not just from an entrepreneur and investor perspective, but from a dealmaker perspective. He described “dealmakers” as those individuals that bridge stakeholders together, brokering info and resources for entrepreneurs and sharing deal networks with investors. Professor Zoller displayed data on dealmaker size in regional areas, noting that the most successful entrepreneurial ecosystems, Silicon Valley and Boston, had the highest concentration of connected dealmakers. His research also iterated that most dealmakers were not VCs or “garage” entrepreneurs, but actually executives in high-growth stage companies. Professor Zoller closed his focus on innovation ecosystems by suggesting NACIE focus future discussions on regional entrepreneurial networks, dealmaker-centered policies, and encouragement of US corporate talent to high-growth companies.

### **Sub-committee Read Outs**

At the conclusion of the external briefings, Secretary of Commerce Gary Locke joined the meeting.

*Celebration Sub-committee Read Out (Co-Chaired by Steve Case and John Fernandez)*

Mr. Case, who also chairs the Startup America Partnership, described Startup America as a public-private partnership celebrating high-growth entrepreneurship. He reviewed the initiative’s series of roundtables on regulatory barriers (the first two of which had already been held in Durham, NC and Austin, TX) and outlined efforts by the Administration to accelerate entrepreneurship. Case then congratulated the sub-committee on the launch of Startup America, noting how, as a byproduct of the sub-committee’s efforts, it had incorporated the sub-committee’s own aims and objectives.

In open discussion, Ping Fu clarified that Startup America was focused on gazelle-stage firms, as well as startups. She highlighted the importance of gazelle companies to job creation, while expressing concern at the general lack of gazelle-stage mentorship services. Tom Baruch expressed similar sentiments with regards to management and mentorship, noting the value that angel and VC groups provide through such services.

Separately, Secretary Locke commented on the Department of Commerce’s own initiatives to make governments more efficient for companies. He detailed the US PTO and EDA’s initiatives to reduce patent and grant process timelines. Christina Gabriel expressed thanks for the Administration’s public-private partnerships and regional EDA agendas.

*Collaboration Sub-committee Read Out (Co-Chaired by Mary Sue Coleman and Pat Gallagher)*

Ms. Coleman presented to the full Council for review a draft letter on university commercialization. She described the letter as a culmination of the sub-committee’s efforts to identify a national stretch goal for commercializing federally-funded research at universities. She highlighted the fact that the letter would address some of the challenges faced by universities in R&D, and will seek commitments by university leaders to follow-through on the identified stretch goals.

In open discussion, Secretary Locke commended the sub-committee on its efforts to bolster university collaboration, while providing suggestions on engaging the private sector as well. He recommended the sub-committee approach corporations involved in the Startup America Partnership to become possible co-sponsors of the letter.

Separately, Claude Canizares requested NACIE consider a future focus on innovation in manufacturing, given that 70% of domestic R&D is in the manufacturing sector. Secretary Locke expressed support for the idea, noting that the Department of Commerce deals with innovation in manufacturing through NIST.

*Capital Sub-committee Read Out (Co-Chaired by Desh Deshpande and David Kappos)*

Mr. Deshpande described the sub-committee's recent work to develop recommendations on increasing access to capital for startup and growth-stage companies. He declared the sub-committee's primary objective as seeking to incentivize private investment for startup growth, while avoiding the creation of another public housing bubble. Towards this objective, Deshpande said the sub-committee was engaging various stakeholders for expert input. Deshpande finished by noting that the sub-committee had drafted a preliminary set of approximately 20 ideas, with future meetings in place to prioritize a final set of 8-10 recommendations.

In open discussion, Ken Morse and Carl Schramm remarked that the sub-committee should consider an additional objective of incentivizing "billion dollar companies" as a means of stabilizing the economy. Tom Alberg contended that while large market cap firms were important, all companies start off small and thus necessitate a focus on small-cap firms as well. Charles Vest, speaking in general terms, encouraged NACIE to maintain a long-term vision for its startup agenda, with sustainable levers in place to ensure implementation regardless of election cycles.

**Remarks by Governor Purdue & Secretary Locke**

Holden Thorp next welcomed keynote speeches by Governor Perdue & Secretary Locke.

*Remarks by North Carolina Governor Bev Perdue*

Governor Perdue welcomed NACIE members to North Carolina, noting the significance of the State to the country's entrepreneurial history. She highlighted that the Wright Brothers' first flight took place in NC, as well as Research Triangle Park. Governor Purdue described the state's 60-yr shift from an agricultural to industrial economy, epitomized by a burgeoning biotech cluster of 500+ companies. Governor Perdue also remarked on a \$100M federal-state partnership to bolster small-businesses in North Carolina.

*Remarks by Secretary of Commerce Gary Locke*

Secretary Locke opened with a summary of the Council's establishment and work to date. He praised the university collaboration letter as a good first step towards the sub-committee's objectives. He also acknowledged the role of universities in advancing STEM education and business practices, while recommending the sub-committee push forward in getting university commitments to the draft letter. Secretary Locke also thanked Desh Deshpande for his effort in leading the Capital sub-committee. He expressed support for the sub-committee's focus on encouraging disciplined risk, while encouraging them to focus on actionable recommendations.

In closing, the Secretary highlighted the recent progress of NACIE and Startup America as part of the Administration's larger initiative to "out-innovate, out-educate, and out-build the rest of the world."

### **Question & Answer Forum**

Holden Thorp opened the meeting for public Q&A.

Questions from audience members included inquiries on the issue of startup visas, demand for capital, and off-shoring of jobs. Regarding startup visas, Steve Case, Michael Roberts, and Jeffrey Wadsworth expressed support for immigration reform given the current global battle for entrepreneurial talent. Wadsworth acknowledged that he originally migrated from England on a J-visa.

Regarding access to capital, Ken Morse noted that there must be incentives in place to increase startup cash flow. Tom Alberg and Carl Schramm added that there must be increased focus on small-companies, and solutions in place to create entrepreneurial jobs, respectively. Ken Morse also noted that the Mass Challenge had created such an ecosystem incentivizing startup demand.

Steve Case and Secretary Locke provided additional answers to the issue of off-shoring, with Locke commenting that the Administration was looking to revise tax policies and STEM education as part of its effort to address the issue.

Other comments from audience members included a recommendation to hold future NACIE meetings at other universities and community colleges to better engage the.

### **Conclusion**

In closing, Holden Thorp thanked everyone for their participation and closed the public portion of the meeting at 12:10PM.